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AN ADDRESS

AT THE

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WILLIAMS' GROVE, PA., AUGUST 29, 1890,

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The importance of precision and accuracy in weights and measures is so well understood by all that the least variation in any standard would not be tolerated ; hence no pains have been spared to secure the utmost precision and certainty in units of length, of volume, of weight, time and force.

Years were consumed by a learned commission in measuring a quadrant of the earth's meridian to establish for all time a standard unit of length.

The utmost powers of the astronomer, the mathematician and the physicist have been laid under command to secure definite and certain units of time, force, heat and power ; and governments construct and preserve with the utmost care standards of weights and measures for comparison. And no government would presume to change, even by the smallest fraction, any standard without providing for the adjustment of all the equities involved in such a change. But the measure of values, a change in which involves all weights and measures, is mostly left to haphazard determination and regulation.

In a condition where trade is carried on wholly by barter, standards of any kind are of less importance. When one thing is swapped evenly for another, scales of any kind are of little account, as that is the end of the transaction. But with the rise of commerce standards of comparison became necessary.

For the same reason standards of value, under semi-civilized conditions where barter prevails, are of little importance, but when obligations are entered into extending far into the future and requiring specific performance according to the recognized value units, then correctness and stability in the measure becomes of the utmost importance.

Manufacturing is nearly all carried on, in modern times, by an adjustment to prices at one season the products to be sold at another, and if a change meantime takes place in the scale of valuation the closest calculations may be frustrated.

As farmers, you would understand very quickly the effect of a change between seed time and harvest, in the bushel measure, and especially if you had obligations outstanding made according to one measure to be discharged at harvest time by another. But a change in the measure of value would effect the equities in such a contract as certainly, if not as directly, as a change in the bushel measure.

It is not necessary to carry illustration further to show the supreme importance of stability in that which measures the value of all other things—money. For, by no other means, in no other way, has so much wrong and injustice been wrought as by altering the value of money. It is the modern way to pirate and plunder.

The question then arises, how is the standard of value fixed? Or how is the value of money changed?

In the first place, it must be admitted that, while definiteness and accuracy is practicable in all other standards, such a thing as a fixed or unchanging measure of value, however important, is from the very nature of value, impossible. Value is expressed by a ratio between two or more things. Two things are equal in value when one can be exchanged evenly for the other. We often hear of "intrinsic" value, but as there can be no such thing as intrinsic value, when you hear any one talk of value as "intrinsic," it is never worth while to pay further attention to what he has to say on that subject. For until one has learned that value cannot be "intrinsic," but is necessarily "extrinsic," *i. e.*, the ratio of one thing to another in exchange, he has not learned the first letter of the alphabet of economics.

The value of a thing in money is price; money being stable, the value of anything in money, or its price, depends, as we say, upon the law of supply and demand. That is, money itself not changing, if the supply of a commodity increases, the demand remaining the same, the price will fall; or if the supply remains the same and the demand falls off, the price will fall. On the other hand, money still remaining unchanged, if the supply falls off, the demand being the same, the price will rise; or if the supply being the same, the demand increases, the price will rise. I state the law thus definitely, because it is a fundamental law in economic science.

The important thing in this supposition, as you will see, is that the money standard shall remain the same. But suppose money itself is undergoing a change, then what? In that case it is easy to see, if the supply and demand of anything remained unchanged that, nevertheless, the value of the thing in money would change, because of the change in money itself. Now how does this change in money take place? That cannot be better stated than as given by John Locke three hundred years ago, when he said: When the same quantity of money is passing up and down the kingdom in trade, then the change in the price of things is in the goods, but when the quantity of money itself is changed, while other things remain the same, then the change is in the money and not in the goods.

This is the key to the science of money. The value of money, like anything else, depends upon the ratio between supply of money and demand for money, or, better expressed perhaps, by the terms quantity and use. Now, the two things which determine demand for money are population and accumulated wealth; that is, the use of money depends on the number of people to use it and the quantity and variety of things to be exchanged by means of money. Therefore, the nearest possible approach to an accurate and stable measure of value is a stable ratio between quantity of money on the one hand and population and wealth on the other. Of course, the conditions under which money is used in any country, including credit appliances, come in to determine what quantity of money will do a given amount of work; that is, effect a given quantity of exchanges; for the same amount of money will not effect the same number or quantity of exchanges in all countries, owing to the different modes of conducting trade and commercial transactions; but the law nevertheless remains good that, under given commercial conditions, the nearest possible approach to stability in the measure of value is a stable ratio between money supply and population and wealth; in other words, when money increases in a country in a given ratio to the increase of population and wealth we have the conditions that give rise to the least fluctuation in the value of money.

But how are we to know whether a change in the value of a thing is due to a change in the supply or demand of the thing itself, or in the money? for it is admitted that changes in the value of things may take place, and that they are constantly taking place, under the law of supply and demand. Cheapened methods of production, or any other condition that leads to an increase of supply without a corresponding increase in demand, will give rise to a variation in value, but that will be seen as well, in the relation of given commodities to other commodities, as to money. But when a change in value becomes general and progressive, affecting the price of all things, except such as for special reasons are not changed, or which, perhaps, temporarily move even in the other direction, then it is clear that the change is in the money and not in the commodities.

All economists agree that the purchasing power of the total volume of money in a country does not vary. The variation is in the composite units. This law cannot be better stated than by Senator Jones, of Nevada, in his recent great speech in the United States Senate, which I will read:

"When a fall of prices is found operating, not on one article or class of articles alone, but on the products of all industries; when found to be not confined to any one climate, country, or race of people, but to diffuse itself over the civilized world; when it is found not to be a characteristic of any one year, but to go on progressively for a series of years, it becomes manifest that it does not and cannot arise from local, temporary, or subordinate causes, but must have its genesis and development in some principle of universal application."

Now let us see how changes in the measure of value have been made in times past, and how they have been recently brought about.

It is plain enough that if we had metallic money only, and the weight of coins should be doubled, there could be only half as many coins, and each one would be doubled in value. Or, on the other hand, if coins were reduced in weight one-half, so that there would be double the number of coins, the value of each coin would be reduced one-half. Now this was the old way of changing the value of money.

One of the Roman emperors, before ascending the throne, promised that he would exact only so many gold *aurei* from the people. But as more money was required, to secure it and at the same time keep his promise according to the letter, he decreed that the gold in the *aureus* should be doubled. Of course all who paid taxes must give twice as much of other things to get the double-weight coin. Philip LeBel, of France, frequently changed the weight of the coins of France, first one way and then the other, as suited his interest as debtor or creditor. Everybody could understand an alteration in the standard of value when brought about in this way.

Ricardo showed that if all coins were taken up and clipped, and the clippings destroyed and not made into other coins, and the same number only of old coins put out again, that their value would not be changed. But if the clippings from the old coins were made into new coins the number of units would be increased and the value of each coin diminished. On the other hand, if the clipped coins should be reminted into other full-weight coins the number of units of money would be thereby reduced and the value of each increased.

Now, if instead of increasing the weight of coins, the money of the world were made of two metals, gold and silver, and contracts and obligations were based upon the use of the two metals as money, if one of these metals be afterwards demonetized, is it not perfectly plain that the other would be increased in value? Suppose, for instance, the coins had all been made by first melting the gold and silver together, making all the coins, say one part gold and sixteen parts silver, then if half these coins should be destroyed, or demonetized, would anybody doubt that the effect would be to double the value of the other half? The effect would be precisely the same as though the weight of the coins had been doubled.

It follows also that the circumstance that gold and silver are separately coined, does not change the effect of striking down one of the metals.

In the light of these principles is it not significant that a time should have been taken for changing our money standard from gold and silver to gold alone, when our money was all paper and we had neither gold nor silver in circulation, and little in the country, and when, too, we had created an enormous war debt and were beginning to think of returning to the constitutional standard of gold and silver?

We remember, however, that it was in 1816, after the close of the Napoleonic wars and after England had created an enormous debt, that Lord Liverpool induced England to change her standard from both silver and gold to gold alone. So, too, the movement to change our standard began immediately after the close of our war.

At the Paris conference in 1867, Senator Sherman, then chairman of the Senate Finance Committee, being in Paris, advised the adoption of the single gold standard, and in the following year introduced in the Senate a bill for that purpose.

In 1871 another great war came to a close—the Franco-Prussian war—in which $1,000,000,000 were exacted as an indemnity from France, while in both countries large accessions were made to their national debts.

Various estimates have been made of the enormous accumulation of public debts at this time; suffice it to say that they exceeded the assessed value of all the real estate of the United States, and remember, too, that public debts are mortgages on every man's property, though he himself does not sign the mortgage.

These debts, too, were largely held in a few countries, principally in England. What an opportunity! A world ripe for plunder and a ready means at hand to effect it!

Of course, to change the weight of coins would have been too public and open a way to increase this vast debt, nor could it be hoped that a country would gratuitously add 50 per cent. to its debt merely on the asking of the holders of its bonds, but if the money standard could be changed the same end would be accomplished and few people would find it out; even those who were robbed might not know by whom or how it was done in time to save themselves. It was not necessary to fit out a pirate ship, as in olden times, to gather in the plunder so plainly in view. Increase the money standard and the object would be accomplished. Silver was demonetized and the most gigantic robbery of the ages was effected.

An agent was sent to the United States to persuade our bankers first, and through them our statesmen, that the proper thing to do was to adopt the single gold standard as England had done and as Germany had proposed to do.

Rich nations should have the "best" money, they said, and with a few catch phrases, such as "honest money," "the best money," all of which were readily repeated in the religious press, and, I am sorry to say to you here, too often in the agricultural press. By the "best money" they meant, of course, the dearest money—money that is growing dearer. Would you think that the best yardstick that was growing longer or the best bushel measure that was growing larger all the time? The best measure is the one that changes not, and that is the best money which changes least, not that which is growing dearer.

In 1873, in a bill of sixty-seven sections, by provisions smuggled into it, the old dollar which had existed from the foundation of the Government was dropped out of the bill and the deed was done. By this one stroke 50 per cent. was added to the public indebtedness of the United States, and the equities involved in every contract in existence, public and private, were ruthlessly violated.

Can anybody now doubt the motive for this change in the money standard? No more than he could doubt the intent of a burglar he found at midnight in his house or counting room. The purpose of the act was spoliation, and its effect has been spoliation.

The sharpest financiers in the world are the Jews of Lombard street. They understand the teachings of Ricardo, and they knew just what the consequences of the change in the money standard would be on the world's vast debts.

You will naturally ask how did it come that our statesmen were so deceived, for you know as well as I that out of the 40,000,000 of people then in the United States not one had asked for it, and there were not forty, or one in a million, who, at the time, knew of such an act.

There is abundant evidence that General Grant, who signed the bill, did not know that silver was demonetized by it. Mr. Kelley, of your State, who, in 1872, was chairman of the Committee on Coinage, Weights and Measures, stated on the floor of the House, in my hearing, that no such thing was talked of or proposed to his knowledge. Still, somebody knew it. Mr. Sherman, of Ohio, had charge of the bill in the Senate and was chairman of the Finance Committee. He undoubtedly knew that the bill in effect established the gold standard, but did he understand that the effect would be to increase the value of gold itself and with it all debts, public and private? If he did he was guilty of an act worse than treasonable. I do not believe he did. Mr. Sherman, like many others, was at that time, unfortunately imbued with the notion that gold constituted a fixed and invariable standard of value, and that if silver and all other kinds of money were destroyed it would not affect the value of gold.

The truth is at that time all knowledge of the science of money, and of monetary literature, was pretty much lost to this country, which fact was well known on the other side of the ocean and advantage taken of it. When boiled down and stated in language more forcible perhaps than elegant it was a game between the knave and the fool, and, unfortunately, the fool was on our side.

You have perhaps seen or heard of what is known as the Hazzard circular to American bankers. I was for a long time very doubtful of the genuineness of this circular which set out the purpose of the moneyed aristocracy of England. But recent investigation has convinced me of the genuineness of the circular. The proposition contained in that circular was to control the world by controlling its money. Nothing certainly could conduce more directly to that end than such a sweeping change in the money standard as that made by the demonetization of silver.

The astonishing thing connected with it all is that a people of as quick intelligence as those of the United States should have submitted to this monstrous wrong as long as they have. Want of full knowledge of the consequences is the only explanation.

I have not time to go into details or to read tables of statistics or to attempt to compute definitely the loss by this act to the various industries of the United States. The fall of prices, however, due directly to increase in the value of money since 1873, has been on the average 33 per cent., which is the same thing as a rise of 50 per cent. in money. Or, to state it in another way, three measures on the average of everything produced must be given for the money which two measures would procure seventeen years ago, consequently, so far as the payment of debt and taxes goes, 50 per cent. has been added to everybody's share. So far, as our exports have gone to pay debts abroad, the loss to us has been just equal to the difference in the value of the products. One hundred bushels of wheat exported in 1873 brought us full 50 cents a bushel more than in 1890; cotton was worth at least $15 a bale more than in 1889.

Taking the average of agricultural products exported since 1873, and it would be a low estimate to put the loss due to the change in the value of money at $75,000,000 a year. Now, $75,000,000, or half that sum, to the farmers of this country would lighten the burden of mortgages immensely.

The fall in the value of land has kept pace with the fall in the products of land. Senator Cameron, the other day in the Senate, in reply to Mr. Vest, who referred to what Senator Brown of your State had said as to the fall in the value of land, said:

"What Mr. Brown says is entirely correct as to the depreciation in the value of lands, but, in my opinion, it has not been the tariff that has caused the decline in lands. It was the demonetization of silver in 1873. Ever since that demonetization the price of land has decreased, and it has decreased as the price of silver has decreased. With the passage of the recent silver bill I know certainly that the prices of cereals has risen some 20 per cent., and I think that before a year goes round the lands in Pennsylvania will recover their old value."

And, believing this to be true, Senator Cameron had the courage of his convictions, and was one of the few Eastern Senators who voted in the Senate for free coinage.

The New Silver Law.

With the rise of silver bullion under the recent silver act, agricultural products have already moved upward, wheat and cotton responding directly to the movement of silver. The reason for this is plain. Our principal competitors for cotton and wheat are Egypt and India, both silver-using countries. The prices of cotton and wheat in silver in Egypt and India have undergone little or no change, consequently, with the fall of silver, the Liverpool merchant, by converting gold sovereigns into silver bullion, could use that to buy wheat in India, and, of course, would do so unless wheat went down in the United States correspondingly with silver bullion. On the other hand, as silver bullion rises, more will be paid for wheat here before it will be profitable to import it, at greater cost of freight, from India.

Under the new law requiring the purchase of 4,500,000 ounces of silver a month, about $30,000,000 of silver bullion, which otherwise would be exported in settlement of trade balances, will be retained in the United States for monetary use, that is, the use of silver as money in the United States will be increased under the law by about $30,000,000. At first view it would be expected that this difference would have to be made up by the export of gold, but the rise that has already taken place in wheat and cotton alone, will almost twice over make up this deficiency. Supposing we export annually 100,000,000 bushels of wheat, in the form of wheat or flour, a rise of 15 cents a bushel is $15,000,000; a rise of 1½ cents a pound on cotton is $7.50 a bale, and assuming that we export 5,000,000 bales we have an increased value for the same quantity of cotton of $37,500,000, so that counting nothing else, a rise in the price of silver is not likely to affect adversely our trade balance.

But while the present law, if faithfully carried out, will operate to stop further fall of prices, it is by no means a final settlement of the silver question. Nothing can be accepted as a settlement of this question but the full restoration of silver to its constitutional place as a money metal, with equal rights of mintage and legal tender with gold.

I do not believe there was any constitutional authority to demonetize either metal. That was the opinion of Webster and Story and all other early expounders of the Constitution.

Unless silver, like gold, is restored to automatic regulation through the production of the metal, we might as well at once go to paper money.

I am, however, one of those who believe that the vast equities involved in all time obligations are best secured by a return to the two metals.

It is not because one mines silver that he gains a special right to have it coined for him. It is rather the right of everybody to have recourse to the two metals which, by common consent of mankind from the earliest ages, have been set apart for monetary use.

The supply of the metals, for some time to come, at any rate, may probably be relied upon to keep money supply close up to the increase of population and wealth, and thus secure approximate stability in the value of money.

No one would think now of returning to such methods as private banks for supplying money. From 1810 to 1860 our money volume was subject to periodical turns of inflation and contraction, amounting sometimes to a difference of $75,000,000 in a single year for a third of our present population. Think of submitting the creation of money to private parties or private interests! Better a good deal give to individuals the right to make and alter measures of length, weight, or volume.

The proposition to issue money on landed security, too, opens the way to the widest fluctuation in volume, and, of course, corresponding changes in value. You will see at once that there is no limit to the quantity of money that may be put out on land security, for as money increases in volume, land, as compared with such money, will rise in value.

It is only by due regulation of the volume of paper money, adjusting it closely to increase of population and wealth, that its value can be maintained. Even security of final payment of paper in metallic money is not such regulation of volume as will secure stability of value.

No, when the world has learned that it is through the alteration of the value of money that the most outrageous wrongs have been committed on society, and that stability in the measure of value is the first essential in the preservation of the equity of contracts, as well as of the highest importance to production and trade, it will pronounce upon him who alters the value of money the curse registered for him who moves his neighbor's landmark.